of this title, and if an office of the Internal Revenue Service requests the taxpayer to provide the additional information, the taxpayer shall furnish the additional information in a statement filed with that office of the Internal Revenue Service within 60 days after the date on which the request is made. This statement shall also—

(1) Contain the name, address, and taxpayer identification number of each party identified in connection with the election, consent, or refusal,

(2) Identify the election, consent, or refusal by reference to the section of the Code or Act under which the election, consent, or refusal was made, and

(3) Specify the scope of the election, consent, or refusal.

If the additional information is not provided within 60 days after the date on which the request is made, the election, consent, or refusal may, at the discretion of the Commissioner, be held invalid.

(b) *State law incorporator.* For purposes of any election, consent, or refusal provided in part 18 of this title, any person who is considered to be a shareholder for state law purposes solely by virtue of his or her status as an incorporator shall not be treated as a shareholder.

PART 19—TEMPORARY REGULATIONS UNDER THE REVENUE ACT OF 1964

AUTHORITY: 26 U.S.C. 7805.

§ 19.3–1 Interest on certain deferred payments; interest rate for use in determining whether there is total unstated interest under a contract.

(a) *In general.* Section 224(a) of the Revenue Act of 1964 adds a new section 483 to the Internal Revenue Code of 1954. Section 483(a) provides, generally, that in the case of any contract for the sale or exchange of property (which is a capital asset or section 1231 property) there shall be treated as interest that part of a payment to which section 483 applies which bears the same ratio to the amount of such payment as the total unstated interest under such contract bears to the total of the payments to which such section applies

which are due under the contract. Section 483(b) defines the term "total unstated interest", with respect to a contract for the sale or exchange of property, as an amount equal to the excess of—

(1) The sum of the payments to which section 483 applies which are due under the contract, over

(2) The sum of the present values of such payments and the present values of any interest payments due under the contract.

Section 483(b) further provides that, for purposes of section 483(b)(2), the present value of a payment shall be determined, as of the date of the sale or exchange, by discounting such payment at the rate, and in the manner, provided in regulations prescribed by the Secretary or his delegate, and that such regulations shall provide for discounting on the basis of 6-month brackets and shall provide that the present value of any interest payment due not more than 6 months after the date of the sale or exchange is an amount equal to 100 percent of such payment. Section 483(c) provides that, except as provided in section 483(f) (relating to exceptions and limitations), section 483 shall apply to any payment on account of the sale or exchange of property which constitutes part or all of the sales price and which is due more than 6 months after the date of such sale or exchange under a contract under which some or all of the payments are due more than one year after the date of such sale or exchange, and under which, using a rate provided by regulations (for purposes of section 483(c)(1)(B)), there is total unstated interest. Section 483(c) further provides that any rate prescribed for determining whether there is total unstated interest for purposes of section 483(c)(1)(B) shall be at least one percentage point lower than the rate prescribed for purposes of section 483(b)(2).

(b) *Rate of interest and table of present values for purposes of section 483(c)(1)(B).* For purposes of determining under section 483(c)(1)(B) whether there is total unstated interest under a contract (other than a contract of sale or exchange under which the purchaser is the United States, a State, or any other purchaser described in section

103) which provides for the payment of
some interest, a rate of 4 percent per
annum simple interest shall be used.
As an illustration of the meaning of
simple interest, if a contract provides
for payments of $6,000 in 3 equal in-
stallments of $2,000 plus 4 percent per
annum simple interest, such install-
ments of principal and interest being
due 1, 2, and 3 years, respectively, from
the date of the sale, the amount of in-
terest due with the first installment is
$80 ($2,000×0.04×1), the amount of inter-
est due with the second installment is
$160 ($2,000×0.04×2), and the amount of
interest due with the third installment
is $240 ($2,000×0.04×3). Section 483 shall
not apply if the interest payments
specified in a contract are at a rate of
at least 4 percent per annum, whether
simple or compounded. In all other
cases, for purposes of determining,
under section 483(c)(1)(B), whether
there is total unstated interest, under
a contract (not involving a purchaser
described in section 103), the following
table, which provides for discounting
payments at a 4 percent per annum
simple interest rate, shall be used for
computing the present value of a pay-
ment to which section 483 applies
which is due under the contract, and
the present value of any interest pay-
ment due under the contract:

PRESENT VALUE OF DEFERRED PAYMENT (4
PERCENT PER ANNUM SIMPLE INTEREST)

At least	But less than	Present value of $1 at 4% simple interest
0	6	1.00000
6	9	.98039
9	15	.96154
15	21	.94340
21	27	.92593
27	33	.90909
33	39	.89286
39	45	.87719
45	51	.86207
51	57	.84746
57	63	.83333
63	69	.81967
69	75	.80645
75	81	.79365
81	87	.78125
87	93	.76923
93	99	.75758
99	105	.74627
105	111	.73529
111	117	.72464
117	123	.71429

PRESENT VALUE OF DEFERRED PAYMENT (4
PERCENT PER ANNUM SIMPLE INTEREST)—
Continued

At least	But less than	Present value of $1 at 4% simple interest
123	129	.70423
129	135	.69444
135	141	.68493
141	147	.67568
147	153	.66667
153	159	.65789
159	165	.64935
165	171	.64103
171	177	.63291
177	183	.62500
183	189	.61728
189	195	.60976
195	201	.60241
201	207	.59524
207	213	.58824
213	219	.58140
219	225	.57471
225	231	.56818
231	237	.56180
237	243	.55556
243	249	.54945
249	255	.54348
255	261	.53763
261	267	.53191
267	273	.52632
273	279	.52083
279	285	.51546
285	291	.51020
291	297	.50505
297	303	.50000
303	309	.49505
309	315	.49020
315	321	.48544
321	327	.48077
327	333	.47619
333	339	.47170
339	345	.46729
345	351	.46296
351	357	.45872
357	363	.45455
363	369	.45045
369	375	.44643
375	381	.44248
381	387	.43860
387	393	.43478
393	399	.43103
399	405	.42735
405	411	.42373
411	417	.42017
417	423	.41667
423	429	.41322
429	435	.40984
435	441	.40650
441	447	.40323
447	453	.40000
453	459	.39683
459	465	.39370
465	471	.39063

PRESENT VALUE OF DEFERRED PAYMENT (4 PERCENT PER ANNUM SIMPLE INTEREST)—Continued

Number of months deferred		Present value of $1 at 4% simple interest
At least	But less than	
471	477	.38760
477	483	.38462
483	489	.38168
489	495	.37879
495	501	.37594
501	507	.37313
507	513	.37037
513	519	.36765
519	525	.36496
525	531	.36232
531	537	.35971
537	543	.35714
543	549	.35461
549	555	.35211
555	561	.34965
561	567	.34722
567	573	.34483
573	579	.34247
579	585	.34014
585	591	.33784
591	597	.33557
597	603	.33333
603	609	.33113
609	615	.32895
615	621	.32680
621	627	.32468
627	633	.32258
633	639	.32051
639	645	.31847
645	651	.31646
651	657	.31447
657	663	.31250
663	669	.31056

PRESENT VALUE OF DEFERRED PAYMENT (4 PERCENT PER ANNUM SIMPLE INTEREST)—Continued

Number of months deferred		Present value of $1 at 4% simple interest
At least	But less than	
669	675	.30864
675	681	.30675
681	687	.30488
687	693	.30303
693	699	.30120
699	705	.29940
705	711	.29762
711	717	.29586
717	723	.29412

To compute the present value of a payment, multiply the amount of the payment by the factor contained in the present value column for the appropriate number of months the payment is deferred. For example, the present value of an installment payment of $5,000 due 2 years (24 months) from the date of the sale would be $4,629.65 ($5,000×0.92593).

(c) *Effective date.* The provisions of section 483 and these temporary regulations shall apply to payments made after December 31, 1963, on account of sales or exchanges of property occurring after June 30, 1963, other than any sale or exchange made pursuant to a binding written contract (including an irrevocable written option) entered into before July 1, 1963.

[T.D. 6720, 29 FR 4882, Apr. 7, 1964]